

AMENDED IN ASSEMBLY JANUARY 14, 2004

AMENDED IN ASSEMBLY JANUARY 5, 2004

CALIFORNIA LEGISLATURE—2003–04 REGULAR SESSION

## ASSEMBLY BILL

**No. 1684**

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**Introduced by Assembly ~~Member Leno~~ Members Leno and  
Oropeza**

February 21, 2003

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An act to add Section 379.6 to the Public Utilities Code, relating to energy resources.

### LEGISLATIVE COUNSEL'S DIGEST

AB 1684, as amended, Leno. Distributed generation resources.

Existing law requires the Public Utilities Commission on or before March 7, 2001, and in consultation with the Independent System Operator, to take certain actions, including, in consultation with the State Energy Resources Conservation and Development Commission (Energy Commission), adopting energy conservation demand-side management and other initiatives in order to reduce demand for electricity and reduce load during peak demand periods, including, but not limited to, differential incentives for renewable or superclean distributed generation resources. Pursuant to this requirement, the commission has developed a ~~Self-Generation Incentive Program~~ *self-generation incentive program* to encourage customers of electrical corporations to install distributed generation that operates on renewable fuel or contributes to system reliability.

This bill would require the commission, in consultation with the State Energy Resources Conservation and Development Commission, to

administer, until January 1, 2008, a self-generation incentive program for distributed generation resources in the same form that exists on January 1, 2004. The bill would require combustion-operated distributed generation using nonrenewable fuel, in order to be eligible for incentive rebates, commencing January 1, 2005, meet a certain NO<sub>x</sub> emission standard or operate solely on certain natural gas and provide a net air emissions benefit. And, commencing January 1, 2007, meet a more stringent NO<sub>x</sub> emission standard and a minimum efficiency standard or operate solely on certain natural gas and provide a net air emissions benefit. The bill would establish, as of January 1, 2007, a credit for combined heat and power units that meet a certain efficiency standard.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. Section 379.6 is added to the Public Utilities
- 2 Code, to read:
- 3 379.6. (a) The commission, in consultation with the State
- 4 Energy Resources Conservation and Development Commission,
- 5 shall administer, until January 1, 2008, a self-generation incentive
- 6 program for distributed generation resources, in the same form as
- 7 exists on January 1, 2004.
- 8 (b) Notwithstanding subdivision (a), the self-generation
- 9 incentive program shall do all of the following:
- 10 (1) Commencing January 1, 2005, require all
- 11 combustion-operated distributed generation projects using fossil
- 12 fuels to do either of the following to be eligible for self-generation
- 13 rebates under the level 3 incentive category for nonrenewables, as
- 14 established by the commission in Decision 01-03-073, dated
- 15 March 27, 2001:
- 16 (A) Meet an oxides of nitrogen (NO<sub>x</sub>) emissions rate standard
- 17 of 0.14 pounds per megawatt-hour.
- 18 (B) Operate solely on natural gas that is not eligible for delivery
- 19 to the utility pipeline system, and demonstrate that the project will
- 20 provide a net air emissions benefit to the facilities' operations,
- 21 which benefit shall be certified by the air quality management
- 22 district or air pollution control district.



(2) Commencing January 1, 2007, require all combustion-operated distributed generation projects using fossil fuels to do either of the following to be eligible for self-generation rebates under the level 3 incentive category for nonrenewables, as established by the commission in Decision 01-03-073, dated March 27, 2001:

(A) Meet an oxides of nitrogen (NO<sub>x</sub>) emissions rate standard of 0.07 pounds per megawatthour and a minimum efficiency of 60 percent. A minimum efficiency of 60 percent shall be measured as useful energy output divided by fuel input. The efficiency determination shall be based on 100 percent load. Combined heat and power units that meet the 60 percent efficiency standard may take a credit to meet the applicable oxides of nitrogen (NO<sub>x</sub>) emission standard of 0.14 pounds per megawatthour or 0.07 pounds per megawatthour. Credit shall be at the rate of one megawatthour for each 3.4 million British Thermal Units (BTUs) of heat recovered.

(B) Operate solely on natural gas that is not eligible for delivery to the utility pipeline system, and demonstrate that the project will provide a net air emissions benefit to the facilities' operations, which benefit shall be certified by the air quality management district or air pollution control district.

(3) Provide the commission with flexibility in administering the self-generation incentive program, including, but not limited to, flexibility with regard to the amount of rebates, inclusion of other ultra clean and low emission distributed generation technologies, and evaluation of other public policy interests, including, but not limited to, ratepayers, and energy efficiency and environmental interests.